

42

1 MARC A. LEVINSON (STATE BAR NO. 57613)
malevinson@orrick.com
2 NORMAN C. HILE (STATE BAR NO. 57299)
nhile@orrick.com
3 PATRICK B. BOCASH (STATE BAR NO. 262763)
pbocash@orrick.com
4 ORRICK, HERRINGTON & SUTCLIFFE LLP
400 Capitol Mall, Suite 3000
5 Sacramento, California 95814-4497
Telephone: +1-916-447-9200
6 Facsimile: +1-916-329-4900

7 Attorneys for Debtor
City of Stockton

8 UNITED STATES BANKRUPTCY COURT
9 EASTERN DISTRICT OF CALIFORNIA
10 SACRAMENTO DIVISION

11 In re:
12 CITY OF STOCKTON, CALIFORNIA,
13 Debtor.
14

Case No. 2012-32118

D.C. No. OHS-15

Chapter 9

**DIRECT TESTIMONY
DECLARATION OF KENNETH
DIEKER IN SUPPORT OF
CONFIRMATION OF FIRST
AMENDED PLAN FOR THE
ADJUSTMENT OF DEBTS OF CITY
OF STOCKTON, CALIFORNIA
(NOVEMBER 15, 2013)¹**

15
16
17
18
19
20 WELLS FARGO BANK, NATIONAL
ASSOCIATION, FRANKLIN HIGH
YIELD TAX-FREE INCOME FUND,
21 AND FRANKLIN CALIFORNIA
HIGH YIELD MUNICIPAL FUND,
22

Plaintiffs,

23
24 v.

25 CITY OF STOCKTON, CALIFORNIA,
26 Defendant.

Adv. No. 2013-02315

Date: May 12, 2014

Time: 9:30 a.m.

Dept: Courtroom 35

Judge: Hon. Christopher M. Klein

27
28 ¹ While this declaration is made in support of confirmation of the Plan, out of an abundance of caution, and because the evidentiary hearing on Plan confirmation and the trial in the adversary proceeding share common issues, it is being filed in both in the main case and the adversary proceeding.

1 I, Kenneth Dieker, hereby declare:

2 1. I am the Principal of Del Rio Advisors, LLC, an independent Municipal Finance
3 Advisor that I founded in 1991. I make this declaration in support of confirmation of the City of
4 Stockton, California's ("City") First Amended Plan For The Adjustment Of Debts Of City Of
5 Stockton, California (November 15, 2013). I advise municipal issuers on their bond issuances,
6 including providing analyses of market conditions, bond marketability, interest rates, and bond
7 pricing and structuring. I have over 27 years of experience in this field. I have served as a
8 financial advisor to the City continuously since March of 2011 in connection with this case and
9 related matters. During that period I have also served as the City's Interim Debt Manager. In
10 addition, as a stand-alone engagement, during 2008 and 2009 I was retained by the City as the
11 financial advisor for the City on the 2009 Golf Course/Park Bonds.²

12 *The Structure Of The 2009 Golf Course/Park Bonds*

13 2. In its Summary Objection of Franklin High Yield Tax-Free Income Fund and
14 Franklin California High Yield Municipal Fund to Confirmation of First Amended Plan of
15 Adjustment of Debts of City of Stockton, California (November 15, 2013) [Dkt. 1273]
16 ("Summary Objection"), Franklin mischaracterizes the 2009 Golf Course/Park Bonds as a "loan"
17 from Franklin to the City. This is a misstatement of the actual structure of the 2009 Golf
18 Course/Park Bonds.

19 3. Attached hereto as **Exhibit A** is a true and correct copy of the indenture for the
20 2009 Golf Course/Park Bonds ("Indenture"); attached hereto as **Exhibit B** is a true and correct
21 copy of Stockton City Council Resolution No. 08-0372; and attached hereto as **Exhibit C** is a
22 true and correct copy of Stockton Public Financing Authority Resolution No. 08-04. As reflected
23 on page 1 of the Indenture, page 2 of the City Council Resolution, and page 2 of the PFA
24 Resolution, the Financing Authority—not the City—authorized the issuance of the 2009 Golf
25 Course/Park Bonds. It was the Financing Authority that issued the official statement for the 2009
26 Golf Course/Park Bonds ("Official Statement"), a true and correct copy of which is attached
27

28 ² Capitalized terms used but not defined herein have the meaning ascribed to them in the First Amended Plan for the Adjustment of Debts of City of Stockton, California (November 15, 2013) [Dkt. No. 1204].

1 hereto as **Exhibit D**, on August 20, 2009. To accomplish the transaction, the City leased
2 nonresidential real property to the Financing Authority, which subleased the property back to the
3 City. Attached hereto as **Exhibits E** and **F** are true and correct copies of the lease to the
4 Financing Authority and the sublease to the City, respectively. The Financing Authority then
5 assigned its right to receive rental payments (along with certain other rights relevant to the
6 enforcement of remedies) under the lease agreement to a trustee. Finally, the Financing
7 Authority issued the 2009 Golf Course/Park Bonds and transferred the proceeds to the City for
8 expenditure on capital improvements.

9 4. When Franklin purchased the 2009 Golf Course/Park Bonds, it paid the proceeds
10 to the 2009 Bond Trustee. These proceeds were held in trust in a project fund. When the City
11 made a written requisition, monies were withdrawn to fund improvements to various fire station
12 facilities, the expansion and relocation of a police communication center, the acquisition and
13 construction of parks, and street improvements. Exhibit D, pp. 15-16.

14 *Franklin Accepted, And Was Compensated For, The Risk Of The 2009 Golf Course/Park Bonds*

15 5. Franklin purchased the 2009 Golf Course/Park Bonds in 2009, in the middle of the
16 “Great Recession.” In the Official Statement, Franklin was put on notice that the City’s economic
17 condition was dire. The Official Statement contained a discussion of Councilmember Dale
18 Fritchen’s request in February 2009 that the City Attorney’s Office prepare “an informational
19 presentation on municipal bankruptcy,” noting how “everyday there’s individuals who bump into
20 me and tell me, ‘why doesn’t the City just go bankrupt.’” Exhibit D, p. 27. As a result, the 2009
21 Golf Course/Park Bonds reflect this higher risk by providing Franklin with a greater return.

22 6. A proper understanding of the 2009 Golf Course/Park Bonds requires some
23 historical context. The Financing Authority originally approved the transaction on September 9,
24 2008. On September 15, 2008, however, Lehman Brothers filed for bankruptcy protection,
25 leaving many investors shaken and many markets in free fall over the ensuing weeks. The Dow
26 Jones Industrial Average dropped from 13,058 in the second quarter of 2008 to a low of 6,547 in
27 the second quarter of 2009. Interest rates spiked as well. This is reflected in the pre-pricing book
28 that I prepared for the August 2009 sale, which is described in greater detail below. Contained on

1 page one of the pre-pricing book is a table of interest rates and on page two is a chart of the same
2 interest rates showing the Bond Buyer 20-Bond Index, the Bond Buyer 11-Bond index and the
3 Bond Buyer Revenue Bond index along with both 10-yr and 30-yr U.S. Treasury rates over the
4 previous year. The Bond Buyer indices are published each Thursday and are reflective of a pool
5 of underlying transactions that make up the respective index. As displayed on these two pages,
6 the Bond Buyer Revenue Bond Index went up from 5.17% on August 28, 2008 to 6.48% on
7 October 16, 2008. *Id.*

8 7. The bond market in late 2008 through 2009 was understandably unstable. As one
9 illustration of the bond market during this period, I was the Financial Advisor on an AA- Water
10 Revenue Bond transaction for another Northern California city. The financing was to provide
11 approximately \$18 million of new money for projects and be repaid over a 30-year period. The
12 bonds were publicly offered in October 2008, but only a few buyers showed interest. Buyers
13 appeared to be hoarding cash and sitting on the sidelines waiting to see the outcome of the
14 financial crisis. The City was ultimately successful in placing the bonds as a private placement
15 with a bank, but had to lower the amount issued to \$9.25 million and shorten the term to 25 years.

16 8. The bond market did stabilize somewhat when President George W. Bush signed
17 the Emergency Economic Stabilization Act (sometimes referred to as the Toxic Asset Relief
18 Program ("TARP")) into law on October 3, 2008, which provided up to \$700 billion to be used to
19 purchase troubled assets. However, those same dollars were instead directly infused into the
20 banking system to provide much needed liquidity. Interest rates remained very choppy through
21 the end of 2008 with the Bond Buyer Revenue Bond Index dropping under 6.00% on November
22 13, 2008 but climbing again to 6.39% on December 11, 2008. At the beginning of 2009, interest
23 rates began a steady decline reaching 5.67% on February 12, 2009.

24 9. In February of 2009, the City initially attempted to market the 2009 Golf
25 Course/Park Bonds. On February 19, 2009, the 2009 Golf Course/Park Bonds were offered in a
26 public offering, and the City entered into a Bond Purchase Agreement with RBC Capital Markets
27 as the underwriter for the 2009 Golf Course / Park bonds, with closing (delivery of and payment
28 for the 2009 Golf Course/Park Bonds) scheduled to occur approximately 2 weeks later. That

1 same night, February 19, 2009, Councilmember Dale Fritchen requested information from the
2 City Attorney's office on municipal bankruptcy as described above. The buyers of the 2009 Golf
3 Course/Park Bonds who had placed orders with RBC Capital Markets, upon hearing this
4 information, demanded that the City release them from those orders, and RBC was forced to
5 request that the City cancel the sale pursuant to the Bond Purchase Agreement. The City granted
6 the buyers' request. The deal then sat dormant for a number of months.

7 10. Later that year, RBC Capital Markets investment banker Bob Williams approached
8 me about reviving the deal. His firm had a potential buyer (Franklin) interested in the 2009 Golf
9 Course/Park bonds. The City was still interested in moving forward and the financing team
10 began the process of updating the official statement and the underlying rating. By that time,
11 Councilmember Fritchen had publicly raised the risk of bankruptcy and developers had begun
12 petitioning the City Council for lower development fees in response to the economic downturn.
13 The City was in shaky economic condition, and the interest rates on the 2009 Golf Course/Park
14 Bonds and their two-term bond structure reflect that risk.

15 11. Based on my 23 years of experience in this field (as of 2009), I believe that the
16 2009 Golf Course/Park Bonds, compared to the City's other existing bond issuances and to bond
17 transactions of other issuers being offered at the time, were sold to Franklin at higher yields and
18 with a term bond structure that clearly compensated Franklin for their risky investment. Attached
19 hereto as **Exhibit G** is a true and correct copy of the pre-pricing book that I prepared for the
20 August 2009 sale, which contains general market interest rate historical information and recent
21 municipal market articles, and compares the 2009 Golf Course/Park Bonds with other bond deals
22 from the same time period.

23 12. It is part of my normal process when pricing bonds to prepare a pre-pricing book
24 that shows general market interest rates, articles related to the bond market at the time of the sale,
25 and several comparable sales for other transactions being sold around the same time. I use this
26 book to educate the issuer at the time of sale as to the market conditions, allowing the issuer to
27 make an informed decision about the final pricing. As the comparison in Exhibit G demonstrates,
28 Franklin offered to purchase the deal with two term bonds: one with a coupon of 6.75% with a

1 yield to maturity of 7.00% maturing in 2029 with sinking fund payments from 2013 to 2029, and
2 another with a coupon of 7.00% with a yield to maturity of 7.15% maturing in 2038 with sinking
3 fund payments from 2030 to 2038. Term Bonds are typically used to aggregate the principal
4 amount of the offering into larger single maturities with a single interest rate based on the
5 maturity date. Principal is amortized through sinking account payments that pay off portions of
6 the term bond early. In my experience, this structure is preferred by large institutional buyers
7 who want a large single maturity, and are not willing to accept a lower rate for earlier
8 amortization. In contrast, a serial bond structure takes advantage of the yield curve (the fact that
9 interest rates tend to be lower for shorter maturities) by breaking each principal amortization
10 payment into a separate bond with its own maturity. This achieves a lower overall cost for the
11 issuer, but means many smaller pieces of the bonds and a lower return to an institutional buyer
12 who wants to buy a large amount of a transaction. The 2009 Golf Course/Park Bonds had only
13 two large term bonds, and no serial bonds, because they were designed for a single purchaser –
14 Franklin.

15 13. When I compare this to the other deals from the same time period, all of them have
16 both a serial and term structure where the serial maturities allow an issuer to take advantage of
17 lower yields at the shorter end of the yield curve only terming bonds for a particular institution or
18 at the long end of the yield curve where the curve flattens. The presentation I prepared uses the
19 AAA Standard and Poor's ("S&P") scale published each day in the Bond Buyer and compares, on
20 a maturity by maturity basis, the spread to the AAA S&P scale from the date of that sale to the
21 spread on the date of the 2009 Golf Course/Park Bonds sale. The tables also compare the actual
22 spreads between deals.

23 14. At the time of the issuance of the 2009 Golf Course/Park Bonds, the City was
24 rated A by Standard & Poor's with a Negative Outlook. However, at that time in general, the
25 market considered lease transactions with a general fund promise to pay and underlying leased
26 assets to be stronger than other transactions, such as redevelopment tax increment or land-secured
27 assessment and Mello-Roos transactions, but not as strong as general obligation transactions with
28

1 the ability to put the full amount of debt service on the property tax role and collect on property
2 owner tax bills or water and sewer bonds backed by the ability to increase user rates and charges.

3 15. Comparing the S&P spread allows an issuer to evaluate deals that may be sold at
4 different times. Spreads do widen and narrow from time to time so the closer to the sale date, the
5 less likely the analysis will pick up spread movements. This is not an exact science, and the
6 municipal market is not as efficient as pricing on U.S. Treasuries and stocks. However, as
7 reflected by the Comparable Sales analysis in Exhibit G, the spreads for the BBB-rated (lower
8 rating than the 2009 Golf Course/Park Bonds) San Francisco Redevelopment Financing
9 Authority, Tax Allocation Bonds deal sold on August 20, 2009 ranged anywhere from +217bp in
10 2013, +187bp in 2029 to +180bp in 2038 over the AAA S&P scale. Exhibit G at 1. Tax
11 allocation bonds were considered weaker credits because the agencies have no taxing authority
12 and are subject to movements in assessed values, compared with the City's General Fund, the
13 source of payment for the 2009 Golf Course/Park Bonds, which can pay from all available
14 resources. Even the S&P A-rated (same rating as the 2009 Golf Course/Park Bonds) Lancaster
15 Redevelopment Agency deal sold on August 17, 2009 ranged from +225bp in 2013, +196bp in
16 2029 to +207bp in 2038.

17 16. One can make the same comparison for each of the deals on the four comparable
18 sales pages. The City of Oakland, General Obligation Bonds from July 22, 2009 show the
19 narrowest spreads, ranging from +83bp in 2013, +92bp in 2029 to +105.2bp in 2038. In contrast,
20 the 2009 Golf Course/Park Bonds range from +531bp in 2013, +243bp in 2029 to +221bp in 2038
21 for an average non-weighted spread of +308.5bp as compared to the +197.1bp for the San
22 Francisco issue, +216bp for the Lancaster issue, and +101.1bp for the Oakland issue. Moreover,
23 Franklin offered to buy these as two term bonds with sinking fund payments at 6.75% and 7.00%
24 respectively, meaning that the City pays that interest rate for the entire term of the bond,
25 compared to transactions where a serial and term structure is used to reduce the cost to the issuer.
26 The bottom line is that Franklin obtained a beneficial spread to other comparable issues of
27 between 92.5 bp (.925%) and 207.4 bp (2.074%) for the 2009 Golf Course/Park Bonds.
28

1 17. In light of this analysis, I believe Franklin saw an investment opportunity where
2 other buyers were wary, and that in exchange, Franklin could obtain higher yields than other
3 comparable issues pricing around the same time.

4 City Gained Valuable Concessions In Its Settlements With Ambac, Assured, And NPFG

5 18. During mid to late 2013, as the City's financial advisor, I participated in many of
6 the City's negotiations with Ambac, Assured, Franklin, and NPFG. After devoting thousands of
7 hours to negotiations with these creditors, the City has reached agreements with three of them:
8 Ambac, Assured, and NPFG. I am familiar with the terms of these three agreements.

9 19. On pp. 46-47 of its Summary Objection, Franklin presents a chart that purports to
10 show the distributions that the City will make to Ambac, Assured, and NPFG. This chart is
11 seriously misleading, and does not accurately characterize the settlements that the City reached
12 with these creditors.

13 20. The first major flaw in Franklin's characterization of the settlement distributions to
14 Ambac, Assured, and NPFG is that Franklin fails to take into account the valuable concessions
15 that each settlement gave the City. The most valuable concession was the reduction of the
16 potential exposure for the General Fund to provide any subsidy to make future debt service
17 payments on the restructured transactions. Because of the importance of the General Fund to the
18 City's financial health, limiting its long-term exposure is essential to the City's continuing
19 viability.

20 21. Second, Franklin's chart fails to mention the collateral implicated by each deal.
21 Ambac, Assured, and NPFG each control collateral that is significantly more valuable to the
22 City's ongoing health than the leased properties underlying the 2009 Golf Course/Park Bonds.
23 The properties underlying the debt insured by each of these creditors serve important municipal
24 functions, and the City, in the exercise of its business judgment, has determined that they cannot
25 be sacrificed.

26 22. Finally, Franklin's chart is simply wrong on some of the numbers for the
27 settlements with Ambac, Assured, and NPFG:
28

1 Ambac Settlement. The Ambac Bonds, aka the Certificates of Participation, Series
2 2003 A&B (Housing Projects) ("2003 COPS"), are insured by Ambac. The 2003 COPS
3 were sold as a General Fund lease transaction with the leased premises as the Main Police
4 Facility, Fire Stations 1, 5 and 14 and the Maya Angelou Library. These are essential City
5 assets that provide, at least in the case of the Main Police Facility and the three fire
6 stations, a critical health and safety function for the City. In addition to the lease
7 payments by the City, the 2003 COPS are payable under a Reimbursement Agreement
8 from 20% housing set-aside tax increment which encompasses all of the City's project
9 areas. The 2003 COPS are also subordinate to tax allocation housing bonds sold by the
10 redevelopment agency in 2006. The City negotiated with Ambac to structure a deal that
11 capped the amount of General Fund subsidy required in any given year to 80.50% of
12 annual debt service. First, to the extent needed, the reserve fund for the bonds will be
13 used to pay any shortfall of debt service until exhausted. If a shortfall remains, the
14 General Fund will subsidize payments up to 80.50% of annual debt service. If the City
15 reaches the 80.50% cap, Ambac will make any remaining payments until bondholders are
16 paid in full. If and when tax increment grows in excess of annual debt service, the Ambac
17 payments will be on the Recognized Obligation Payments Schedule ("ROPS"), a schedule
18 delineating the enforceable obligations of Stockton's former Redevelopment Agency, to
19 be repaid from tax increment. Once the Ambac payments are repaid in full, any draws on
20 the reserve fund will also be on the ROPS to be repaid from tax increment. Since the
21 structured transaction revolves around changes in assessed values within all the project
22 areas and the ultimate receipt of tax increment from those project areas, it is impossible to
23 predict the present value impairment to Ambac. If economic growth in the City returns, it
24 is likely this obligation will be paid in full. However, the timing of those repayments
25 could be delayed depending on how much tax increment is available each year and how
26 much the Ambac payments accrue interest before they are repaid.

27 ///

1 NPFG SEB Settlement. The NPFG SEB Bonds, aka the 2006 Lease Revenue
2 Refunding Bonds, Series A, were sold as a standard General Fund lease transaction with
3 the Stewart/Eberhart Building and the adjacent parking garage as the leased premises.
4 Also known as the Essential Services Building, the Stewart/Eberhart Building houses
5 many essential city departments including Public Works. Because of the essential status
6 of the leased premises, the City assumed this lease, has made all payments in full and on
7 time and the bonds remain unimpaired.

8 NPFG Arena Settlement. The NPFG Arena Bonds, aka the Redevelopment
9 Agency of the City of Stockton, Revenue Bonds, Series 2004, were sold as a General
10 Fund lease transaction pursuant to which the City makes leases payments to the
11 Redevelopment Agency (now the Successor Agency to the Redevelopment Agency) for
12 the right to the use and occupancy of the Stockton Events Center and Arena. In addition,
13 there is a pledge of tax increment from the West End Project Area where Pledge Payments
14 are made to the City under a Pledge Agreement and those monies are used to pay debt
15 service each year. If there is a shortfall, the General Fund provides a backstop to
16 subsidize any required payment not otherwise satisfied. The City and NPFG negotiated
17 knowing that the Pledge Payments will be paid regardless of the General Fund payments.
18 Currently tax increment from the West End project area is not sufficient to fully repay the
19 bonds each year. The City and NPFG agreed to a reduced schedule of payments and took
20 this agreement to the California Department of Finance for approval under AB x1 26 and
21 AB 1484 provisions. The General Fund remains as the backstop, but on a schedule that
22 further reduces the need for future General Fund subsidies. The City was faced with a
23 possible shuttering of the facility and the possible collateral economic damage to the
24 downtown while the local taxpayers would still be paying for the obligation in full from
25 property tax payments paid via tax increment. The actual repayment of this obligation,
26 much like on the 2003 COPs, is dependent upon future assessed values and the flow of tax
27 increment.
28

1 NPFG Parking Settlement. NPFG Parking Bonds aka Lease Revenue Bonds,
2 Series 2004 (Parking and Capital Projects). These bonds were sold as a standard lease
3 transaction with three parking garages (Arena, Ed Coy and Market Street) serving as the
4 leased premises. The City and NPFG agreed to form a new Parking Authority, the City
5 agreed to move all of the City's parking assets into the new Parking Authority, and NPFG
6 agreed to a reduced payment schedule in exchange for a gross revenue pledge from the
7 new Parking Authority revenues. The leased assets remain the same, and the City
8 anticipates that the parking revenues—as opposed to the General Fund—will pay the debt
9 service on the restructured obligation.

10 Assured Guaranty Settlement. The Assured Guaranty Settlement affects both the
11 Pension Obligation Bonds, aka 2007 Taxable Pension Obligation Bonds, Series A and
12 Series B (the “POBs”), and the Assured Office Bonds, aka the Variable Rate Demand
13 Lease Revenue Bonds, 2007 Series A and Taxable 2007 Series B (Building Acquisition
14 Financing Project) (the “VRDOs”). Assured Guaranty has asserted that the POBs have
15 special status because they represent the same underlying liability as the City's other
16 pension funding obligations (which are being assumed under the Plan) and are thus
17 obligations imposed by law (which City confirmed at the time of issuance of the POBs
18 through a validation action under California Code of Civil Procedure section 860 et seq.).
19 The Assured Guaranty Settlement shifts the proposed “Ask” payments originally slated
20 for the Assured Office Bonds to the POBs along with \$250,000 of additional payments
21 each year starting in 2023. The City also agreed to pay the portion of debt service payable
22 on the POBs from restricted funds to the POBs. These restricted fund payments would
23 otherwise go to pay pension benefits or to repay the POBs; these restricted funds are not
24 part of the General Fund.

25 At the time of the “Ask”, the restricted fund payments were estimated at 17.38%,
26 consisting primarily of water/sewer, gas tax, and Measure W funds. The ratio of City
27 employees compensated solely or partially from the General Fund and those compensated
28 from Restricted Funds varies from year to year, depending on, among other things, the

1 number of employees paid from each fund. Based on historical and projected data, a
2 reasonable estimate of the amount of pension obligations that are funded from Restricted
3 Funds is about 17%. Assured and the City agreed on this percentage as a fixed amount
4 each year. Because approximately 17% of City's pension obligations may lawfully be
5 funded by special fund revenue, such revenues may be used to pay 17% of the debt
6 service obligations on the POBs.

7 The VRDOs were sold as a standard General Fund lease with 400 E. Main serving
8 as the leased premises. In exchange for shifting the "Ask" payments from the VRDOs to
9 the POBs, Assured agreed to terminate the lease payments under the VRDOs. The City
10 also entered into a near-term lease for office space in the building to turn such space into
11 City Hall. Although from the City's perspective the VRDOs obligation was terminated,
12 the City agreed to possession by Assured of 400 E. Main with title to shift at some future
13 date.

14 The Assured POBs settlement was an essential part of the overall deal struck
15 between the City and Assured, overseen by Judge Perris, which was necessary to ensure
16 the City's continued use of 400 E. Main for the next 12 years. The Assured POBs
17 settlement provides for payments from the City's restricted funds, which the City believes
18 will be available to make those payments. The POBs funded payment of pension benefits
19 for City employees, including current and retired City employees whose compensation
20 and benefits were paid by monies from the General Fund as well as those whose
21 compensation and benefits were paid by monies from Restricted Funds. As explained in
22 the declaration of Vanessa Burke in support of the City's eligibility for bankruptcy relief
23 [Dkt. No. 62], such Restricted Funds may not be used to pay General Fund obligations
24 unrelated to such Restricted Funds. They may, however, be used to pay obligations
25 related to the Restricted Funds.

26 ///

27 ///

28 ///

1 Assured also is entitled to certain Contingent Payments based on a formula that
2 measures the amount of those payments by reference to the amount by which the City's
3 general fund revenues exceed the City's budget forecast over time. There is no assurance
4 that any contingent payments will be made and the amount of those payments cannot
5 therefore be calculated or determined at the present time.

6
7
8 Executed this 21st day of April 2014, at Modesto, California. I declare under penalty of
9 perjury under the laws of the State of California and the United States of America that the
10 foregoing is true and correct.

11
12 

13 Kenneth Dieker
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Exhibit A-1

Quint & Thimmig LLP

03/04/08
07/07/08
08/11/08
12/04/08
02/19/09
07/10/09
FINAL 08/20/09

INDENTURE OF TRUST

by and between the

STOCKTON PUBLIC FINANCING AUTHORITY

and

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

Dated as of September 1, 2009

**Relating to
\$35,080,000
Stockton Public Financing Authority
Lease Revenue Bonds, 2009 Series A
(Capital Improvement Projects)**

19066.05

CTY039812

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS;
EQUAL SECURITY

Section 1.01.	Definitions	3
Section 1.02.	Rules of Construction	9
Section 1.03.	Authorization and Purpose of Bonds.....	9
Section 1.04.	Equal Security	9

ARTICLE II

ISSUANCE OF BONDS

Section 2.01.	Authorization of Bonds	10
Section 2.02.	Terms of the Bonds	10
Section 2.03.	Transfer and Exchange of Bonds	10
Section 2.04.	Book-Entry System.....	11
Section 2.05.	Registration Books	12
Section 2.06.	Form and Execution of Bonds	12
Section 2.07.	Temporary Bonds.....	13
Section 2.08.	Bonds Mutilated, Lost, Destroyed or Stolen	13
Section 2.09.	CUSIP Numbers	14

ARTICLE III

APPLICATION OF PROCEEDS

Section 3.01.	Application of Proceeds of Sale of Bonds.....	15
Section 3.02.	Establishment and Application of Costs of Issuance Fund.....	15
Section 3.03.	Establishment and Application of Project Fund.....	15
Section 3.04.	Validity of Bonds.....	15

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01.	Terms of Redemption.....	16
Section 4.02.	Selection of Bonds for Redemption	17
Section 4.03.	Notice of Redemption.....	18
Section 4.04.	Partial Redemption of Bonds.....	18
Section 4.05.	Effect of Redemption	19
Section 4.06.	Purchase of Bonds	19

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01.	Pledge and Assignment; Revenue Fund.....	20
Section 5.02.	Allocation of Revenues.....	20
Section 5.03.	Application of Interest Account.....	21
Section 5.04.	Application of Principal Account	21
Section 5.05.	Application of Reserve Account	21
Section 5.06.	Application of Redemption Fund.....	21
Section 5.07.	Insurance and Condemnation Fund.....	22
Section 5.08.	Investments	23

ARTICLE VI
PARTICULAR COVENANTS

Section 6.01.	Punctual Payment	24
Section 6.02.	Extension of Payment of Bonds	24
Section 6.03.	Against Encumbrances	24
Section 6.04.	Power to Issue Bonds and Make Pledge and Assignment	24
Section 6.05.	Accounting Records	24
Section 6.06.	No Additional Obligations	24
Section 6.07.	Tax Covenants	25
Section 6.08.	Rebate Fund	25
Section 6.09.	Collection of Amounts Due Under Lease Agreement	26
Section 6.10.	Continuing Disclosure	26
Section 6.11.	Waiver of Laws	27
Section 6.12.	Further Assurances	27

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES

Section 7.01.	Events of Default	28
Section 7.02.	Remedies Upon Event of Default	28
Section 7.03.	Application of Revenues and Other Funds After Default	29
Section 7.04.	Trustee to Represent Bond Owners	29
Section 7.05.	Bond Owners' Direction of Proceedings	30
Section 7.06.	Limitation on Bond Owners' Right to Sue	30
Section 7.07.	Absolute Obligation of Authority	30
Section 7.08.	Termination of Proceedings	31
Section 7.09.	Remedies Not Exclusive	31
Section 7.10.	No Waiver of Default	31
Section 7.11.	Parties Interested Herein	31

ARTICLE VIII
THE TRUSTEE

Section 8.01.	Duties, Immunities and Liabilities of Trustee	32
Section 8.02.	Merger or Consolidation	33
Section 8.03.	Liability of Trustee	33
Section 8.04.	Right to Rely on Documents	35
Section 8.05.	Preservation and Inspection of Documents	36
Section 8.06.	Compensation and Indemnification	36

ARTICLE IX
MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 9.01.	Amendments Permitted	37
Section 9.02.	Effect of Supplemental Indenture	38
Section 9.03.	Endorsement of Bonds; Preparation of New Bonds	38
Section 9.04.	Amendment of Particular Bonds	38

ARTICLE X
DEFEASANCE

Section 10.01.	Discharge of Indenture	39
Section 10.02.	Discharge of Liability on Bonds	39
Section 10.03.	Deposit of Money or Securities with Trustee	39
Section 10.04.	Unclaimed Funds	40

ARTICLE XI
MISCELLANEOUS

Section 11.01.	Liability of Authority Limited to Revenues	41
Section 11.02.	Limitation of Rights to Parties and Bond Owners	41
Section 11.03.	Funds and Accounts	41
Section 11.04.	Waiver of Notice; Requirement of Mailed Notice	41
Section 11.05.	Destruction of Bonds	41
Section 11.06.	Severability of Invalid Provisions	41
Section 11.07.	Notices	42
Section 11.08.	Evidence of Rights of Bond Owners	42
Section 11.09.	Disqualified Bonds	43
Section 11.10.	Money Held for Particular Bonds	43
Section 11.11.	Waiver of Personal Liability	43
Section 11.12.	Successor Is Deemed Included in All References to Predecessor	43
Section 11.13.	Execution in Several Counterparts	43
Section 11.14.	Governing Law	44

EXHIBIT A	FORM OF BOND	
-----------	--------------	--

INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "Indenture"), made and entered into and dated as of September 1, 2009, by and between the STOCKTON PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California (the "Authority"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under and by virtue of the laws of the United States of America with a corporate trust office in San Francisco, California, and being qualified to accept and administer the trusts hereby created (the "Trustee");

RECITALS:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated as of June 18, 1990, as amended, by and between the City of Stockton (the "City") and the Community Redevelopment Commission of the City of Stockton (the "Commission" and, with the City, the "Members"), and under the provisions of Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, public entities, including the Members, and to provide financing for public capital improvements of public entities, including the Members;

WHEREAS, the City, working together with the Stockton Public Financing Authority (the "Authority"), proposes to undertake the financing of various capital improvements throughout the geographic boundaries of the City (the "Project");

WHEREAS, for such purposes, the Authority has determined to issue its Stockton Public Financing Authority Lease Revenue Bonds, 2009 Series A (Capital Improvement Projects), in the aggregate principal amount of \$35,080,000 (the "Bonds");

WHEREAS, the Bonds will be issued under the provisions of Article 4 (commencing with section 6584) of the Act (the "Bond Law") and this Indenture;

WHEREAS, in order to provide for the repayment of the Bonds, the Authority will lease certain real property and improvements (the "Property") to the City pursuant to a lease agreement, dated as of September 1, 2009 (the "Lease Agreement"), under which the City will agree to make lease payments to the Authority from moneys in its General Fund and the City will budget and appropriate sufficient amounts in each year to pay the full amount of principal of and interest on the Bonds;

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Authority has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and

purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the Bonds at any time issued and Outstanding under this Indenture, according to their terms, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and delivered, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Authority does covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes of this Indenture, of any Supplemental Indenture, of the Lease Agreement, of the Bonds and of any certificate, opinion, request or other documents herein mentioned have the meanings herein specified.

"Authority" means the Stockton Public Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State, and any successor thereto.

"Authorized Representative" means: (a) with respect to the Authority, its Executive Director, Treasurer or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Executive Director, and filed with the City, and the Trustee; and (b) with respect to the City, its City Manager, Director of Financial Management, City Treasurer, or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its City Manager and filed with the Authority and the Trustee.

"Bond Counsel" means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"Bond Year" means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, both dates inclusive; provided that the first Bond Year with respect to the Bonds shall commence on the Closing Date and end on September 1, 2009.

"Bonds" means the \$35,080,000 aggregate principal amount of Stockton Public Financing Authority Lease Revenue Bonds, 2009 Series A (Capital Improvement Projects), authorized by and at any time Outstanding pursuant to this Indenture.

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located.

"City" means the City of Stockton, a chartered city and municipal corporation organized and existing under and by virtue of its charter and the laws of the State.

"Closing Date" means the date of delivery of the Bonds to the Original Purchaser.

"Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under such Code.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed by the City and the Authority and dated the date of execution and delivery of the

Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority or the City, initial fees and expenses of the Trustee (including but not limited to fees and expenses for legal counsel), compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents, out-of-pocket expenses of the Authority or the City, Authority and City staff costs and costs of printing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.02.

"Debt Service" means, during any period of computation, the amount obtained for such period by totaling the following amounts: (a) the principal amount of all Outstanding Bonds coming due and payable by their terms in such period; and (b) the interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

"Defeasance Obligations" means: (a) cash, (b) U.S. Treasury certificates, notes and bonds (including State and Local Government Series), (c) direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities, (d) the interest component of Resolution Funding Corp. ("REFCORP") strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form; (e) obligations listed in (b)(i), (ii), (iii), (v), (vii) and (viii) of the definition of Permitted Investments; or (f) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively; if, however, the issue is only rated by S&P, then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S.-guaranteed obligations, or AAA rated pre-refunded municipals).

"Event of Default," with respect to this Indenture, means any of the events specified in Section 7.01 and, with respect to the Lease Agreement, means any of the events specified in Section 9.1 of the Lease Agreement.

"Facility" means the improvements more particularly described in Exhibit B to the Lease Agreement.

"Federal Securities" means direct and general obligations of the United States of America, or those which are unconditionally guaranteed as to principal and interest by the same.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority or the City, as applicable, as its official fiscal year period.

"Fitch" means Fitch, Inc., New York, New York, or its successors.

"Indenture" means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

"Independent Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Information Services" means Financial Information, Inc.'s *"Daily Called Bond Service,"* 30 Montgomery Street, 10th Floor, Jersey City, NJ 07302, Attention: Editor; Mergent/FIS, Inc., 5250 77 Center Drive, Suite 150 Charlotte, NC 28217, Attention: Called Bond Dept.; Kenny S&P, 55 Water Street, New York, NY 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission; or to such other addresses and/or such other national information services providing information with respect to the redemption of bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

"Insurance and Condemnation Fund" means the fund by that name established and held by the Trustee pursuant to Section 5.07.

"Interest Account" means the account by that name established in the Revenue Fund pursuant to Section 5.02.

"Interest Payment Date" means each March 1 and September 1, commencing March 1, 2010.

"Lease Agreement" means that certain Lease Agreement, dated as of September 1, 2009, by and between the Authority and the City, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

"Lease Payment Date" means, with respect to any Interest Payment Date, commencing with the March 1, 2010, Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date.

"Lease Payments" means the aggregate amount of all the payments required to be paid by the City pursuant to Section 4.3 of the Lease Agreement.

"Moody's" means Moody's Investors Service, New York, New York, or its successors.

"Net Proceeds" means amounts derived by the City from any policy of casualty insurance with respect to any portion of the Property, or the proceeds of any taking of the Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

"Office" means, with respect to the Trustee, the corporate trust office of the Trustee located in San Francisco, California, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate agency business shall be conducted.

"Original Purchaser" means the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

"Owner," whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Permitted Encumbrances" means, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of Article V of the Lease Agreement, permit to remain unpaid; (b) the Site and Facility Lease; (c) the Lease Agreement; (d) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (e) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the City certifies in writing will not materially impair the use of the Property; and (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease Agreement and to which the Authority and the City agree in writing do not reduce the value of the Property.

"Permitted Investments" means the following, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) debentures of the Federal Housing Administration to the extent such obligations are guaranteed by the full faith and credit of the United States of America;

(c) obligations of the following agencies which are not guaranteed by the United States of America: (i) participation certificates or debt obligations of the Federal Home Loan Mortgage Corporation; (ii) consolidated system-wide bonds and notes of the Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives); (iii) consolidated debt obligations or letter of credit-backed issues of the Federal Home Loan Banks; (iv) mortgage-backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal) or debt obligations of the Federal National Mortgage Association; or (v) letter of credit-backed issues or debt obligations of the Student Loan Marketing Association; *provided, however,* that not more than ten percent (10%) of the proceeds of the Bonds may, in the aggregate, be invested in any such obligations at one time;

(d) Federal funds, negotiable certificates of deposit, time deposits and bankers acceptances (having maturities of not more than 180 days) of banks (including the Trustee and

its affiliates) the short-term obligations of which are rated in one of the two highest Rating Categories by Moody's and S&P;

(e) deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation ("FDIC");

(f) debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) rated in one of the two highest Rating Categories by Moody's and S&P;

(g) commercial paper (having original maturities of not more than 270 days) rated in one of the two highest Rating Categories by Moody's and S&P;

(h) money market funds rated "Aa2" or higher by S&P and, if rated by Moody's, rated "Aa2" or higher, including funds for which the Trustee, its parent, affiliates or subsidiaries provide investment advisory or other management services, in which case it is agreed that the Trustee, its parent, affiliates or subsidiaries shall have the right to be paid its customary management fees in addition to its fees as Trustee hereunder;

(i) investment contracts or agreements issued or guaranteed by entities whose long-term debt or claims paying ability of which are rated in one of the two highest long-term rating categories of Moody's and S&P;

(j) repurchase agreements or investment agreements issued by banks, broker/dealers or other financial institutions fully secured by obligations listed in paragraphs (a), (b) or (c) of this definition having a market value at least equal to 105% of face amount of the agreement and possession of which obligations is held or controlled by the Trustee, the Authority or by a third party satisfactory to the Authority under arrangements satisfactory to the Trustee or the Authority, as the case may be; and

(k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Principal Account" means the account by that name established in the Revenue Fund pursuant to Section 5.02.

"Project" means various capital improvements throughout the geographic boundaries of the City, including but not limit to, (a) modernizing and expanding Fire Station No. 7, located in northern portion of the City, and constructing and equipping a new Fire Station No. 13 in northeast Stockton, (b) relocating and constructing a new police communications center in the central area of the City, (c) acquiring land and constructing seven parks throughout the City, and (d) the acquiring, constructing and installing various paving, bridge, widening, lighting, landscaping and other street improvements within the City.

"Project Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.03.

"Property" means, collectively, the Site and the Facility.

"Rating Category" means, with respect to any Permitted Investment, one of the generic categories of rating by Fitch, Moody's and S&P applicable to such Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established pursuant to Section 5.06.

"Registration Books" means the records maintained by the Trustee pursuant to Section 2.05 for the registration and transfer of ownership of the Bonds.

"Regulations" means the regulations of the United States Department of Treasury issued under the Code.

"Reserve Account" means the account by that name in the Revenue Fund established pursuant to Section 5.02.

"Reserve Requirement" means a fixed amount equal to the least of (a) maximum annual debt service on the Bonds, (b) 125% of average annual debt service on the Bonds, and (c) 10% of the par amount of the Bonds. The Reserve Requirement is \$2,945,462.50.

"Revenue Fund" means the fund by that name established and held by the Trustee pursuant to Section 5.01.

"Revenues" means (a) all Lease Payments, prepayments, insurance proceeds, condemnation proceeds, and (b) subject to the provisions of Section 5.08 hereof, all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., New York, New York, or its successors.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

"Site" means that certain real property more particularly described in Exhibit A to the Site and Facility Lease and in Exhibit A to the Lease Agreement.

"Site and Facility Lease" means the Site and Facility Lease, dated as of September 1, 2009, by and between the City, as lessor, and the Authority, as lessee, together with any duly authorized and executed amendments thereto.

"State" means the State of California.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Tax Certificate" means the certificate of the Authority dated the Closing Date, with respect to tax matters.

"Term Bonds" means the Bonds maturing on September 1, 2029, and September 1, 2038.

"Trustee" means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee hereunder as provided in Section 8.01.

"Written Certificate," "Written Request" and "Written Requisition" of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Section 1.02. Rules of Construction. All references in this Indenture to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words "herein," "hereof," "hereunder," and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof

Section 1.03. Authorization and Purpose of Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all things, conditions, and acts required by law to exist, happen and/or be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance of the Bonds pursuant to this Indenture for the purposes described herein.

Section 1.04. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

ARTICLE II

ISSUANCE OF BONDS

Section 2.01. Authorization of Bonds. The Authority hereby authorizes the issuance of the Bonds, which shall constitute special obligations of the Authority, for the purpose of providing funds to finance the Project. The Bonds are hereby designated the "Stockton Public Financing Authority Lease Revenue Bonds, 2009 Series A (Capital Improvement Projects)." The aggregate principal amount of Bonds initially issued and Outstanding under this Indenture shall equal thirty-five million eighty thousand dollars (\$35,080,000). At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of the Authority, deliver the Bonds. This Indenture constitutes a continuing agreement with the Trustee and the Owners from time to time of the Bonds to secure the full payment of the principal of and interest and premium (if any) on all the Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the Bonds. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds shall mature on September 1 in each of the years and in the amounts, and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

Maturity Date (September 1)	Principal Amount	Interest Rate
2029	\$15,905,000	6.75%
2038	19,175,000	7.00

Interest on the Bonds shall be payable semiannually on each Interest Payment Date, to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on such Interest Payment Date by first class mail to the Owners at the respective addresses of such Owners as they appear on the Registration Books; *provided, however*, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee at least five (5) days before the applicable Record Date. Principal of any Bond and any premium upon redemption shall be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee, except as provided in Section 2.04. Principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each Bond shall be dated as of the Closing Date and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before February 15, 2010, in which event it shall bear interest from the Closing Date; *provided, however*, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 2.03. Transfer and Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation,

accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Transfer of any Bond shall not be permitted by the Trustee during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to Article IV. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Authority.

Any Bond may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. Exchange of any Bond shall not be permitted during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to Article IV. The Trustee may require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Authority.

Section 2.04. Book-Entry System. Notwithstanding any provision of this Indenture to the contrary:

(a) The Bonds shall be initially issued registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, the depository designated by the Original Purchaser, and shall be evidenced by one certificate maturing on each of the maturity dates set forth in Section 2.02 hereof to be in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of The Depository Trust Company or its nominee, or of any substitute depository designated pursuant to paragraph (ii) of this subsection (a) ("substitute depository"); provided that any successor of The Depository Trust Company or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any substitute depository designated in a written request of the Authority, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the Authority that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the Authority that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that no substitute depository which is not objected to by the Authority and the Trustee can be obtained.

(b) In the case of any transfer pursuant to paragraph (i) or paragraph (ii) of subsection (a) of this Section 2.04, upon receipt of all Outstanding Bonds by the Trustee, together with a written request of an Authorized Representative of the Authority to the Trustee, a single new

Bond shall be issued, authenticated and delivered for each maturity of such Bond then outstanding, registered in the name of such successor or such substitute depository or their nominees, as the case may be, all as specified in such written request of an Authorized Representative of the Authority. In the case of any transfer pursuant to paragraph (iii) of subsection (a) of this Section 2.04, upon receipt of all Outstanding Bonds by the Trustee together with a written request of an Authorized Representative of the Authority, new Bonds shall be issued, authenticated and delivered in such denominations and registered in the names of such persons as are requested in a written request of the Authority provided the Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a written request of an Authorized Representative of the Authority.

(c) In the case of partial redemption or an advance refunding of any Bonds evidencing all of the principal maturing in a particular year, The Depository Trust Company shall, at the Authority's expense, deliver the Bonds to the Trustee for cancellation and re-registration to reflect the amounts of such reduction in principal.

(d) The Authority and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the absolute Owner thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying or otherwise dealing with any beneficial owners of the Bonds. Neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except for the registered owner of any Bond.

(e) So long as all outstanding Bonds are registered in the name of Cede & Co. or its registered assign, the Authority and the Trustee shall reasonably cooperate with Cede & Co., as sole registered Owner, or its registered assign in effecting payment of the principal and redemption premium, if any, and interest due with respect to the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

(f) So long as all Outstanding Bonds are registered in the name of Cede & Co. or its registered assigns (hereinafter, for purposes of this paragraph (f), the "Owner"):

(i) All notices and payments addressed to the Owners shall contain the Bonds' CUSIP number.

(ii) Notices to the Owner shall be forwarded in the manner set forth in the form of blanket issuer letter of representations (prepared by The Depository Trust Company) executed by the Authority and received and accepted by The Depository Trust Company.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall at all reasonable times upon reasonable prior notice be open to inspection during regular business hours by the Authority and the City; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

Section 2.06. Form and Execution of Bonds. The Bonds shall be signed in the name and on behalf of the Authority with the facsimile signature of its Chairman, Vice Chairman,

Executive Director or Treasurer and attested with the facsimile signature of its Secretary, and shall be delivered to the Trustee for authentication by it. In case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any Bond may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Bond shall be the proper officer although on the nominal date of such Bond such individual shall not have been such officer.

Only such of the Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.07. Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, at the Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority and the Trustee and, if such evidence be satisfactory to them an indemnity satisfactory to them shall be given, the Authority, at the expense of the Owner of such lost, destroyed or stolen Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section 2.08 and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any Bond issued under the provisions of this Section 2.08 in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Section 2.09. CUSIP Numbers. The Trustee, the Authority and the City shall not be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee, the Authority nor the City shall be liable for any inaccuracies in such numbers.

ARTICLE III

APPLICATION OF PROCEEDS

Section 3.01. Application of Proceeds of Sale of Bonds.

(a) Upon the receipt of payment for the Bonds on the Closing Date of \$34,010,178.20, being the principal amount of the Bonds of \$35,080,000.00, less an underwriter's discount of \$294,672.00, less an original issue discount of \$775,149.80, the Trustee shall apply the proceeds of sale thereof as follows:

(i) The Trustee shall deposit the amount of \$351,959.70 in the Costs of Issuance Fund;

(ii) The Trustee shall deposit the amount of \$2,945,462.50 in the Reserve Account; and

(iii) The Trustee shall deposit the amount of \$30,712,756.00 in the Project Fund.

(b) The Trustee may, in its sole discretion, establish such funds or accounts in its records to facilitate the foregoing transfers and deposits.

Section 3.02. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On February 20, 2010, or upon the earlier Written Request of the Authority, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Project Fund.

Section 3.03. Establishment and Application of Project Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund." Amounts on deposit in the Project Fund shall be used and withdrawn by the Trustee to pay the costs of the Project, upon the receipt from time to time of Written Requisitions of the City seeking payment of costs of the Project. Each such Written Requisition shall state (a) the person to whom payment is to be made, (b) the amount to be paid, and (c) the purpose for which the obligation was incurred. At the Written Request of the City filed at any time with the Trustee, the Trustee shall close the Project Fund and shall transfer all amounts therein to the Revenue Fund to be used for the payment of interest on the Bonds.

Section 3.04. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Lease Agreement. The recital contained in the Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Terms of Redemption.

(a) *Optional Redemption.* The Bonds shall be subject to optional redemption as a whole or in part, upon forty-five (45) days written notice to the Trustee by the City of its intention to optionally prepay all or a portion of the Lease Payments, on any date on or after September 1, 2019, from any available source of funds of the City, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Any such redemption shall be in such order of maturity as the City shall designate in the above-mentioned written notice (and, if no specific order of redemption is designated by the City, pro rata among maturities).

(b) *Sinking Fund Redemption.*

(i) The Term Bonds maturing on September 1, 2029 (the "2029 Term Bonds"), shall also be subject to mandatory sinking fund redemption in part by lot on September 1, 2013, and on each September 1 thereafter, to and including September 1, 2029, from sinking fund payments derived from scheduled Lease Payments made by the City at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; *provided, however*, that if some but not all of the 2029 Term Bonds have been redeemed pursuant to subsection (a) above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of 2029 Term Bonds so redeemed, to be allocated among the sinking fund payments as are thereafter payable on a *pro rata* basis in integral multiples of \$5,000 to the extent possible and in inverse order thereafter. The City shall provide the Trustee with a revised schedule.

Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed or Purchased	Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed or Purchased
2013	\$525,000	2022	\$ 950,000
2014	565,000	2023	1,015,000
2015	600,000	2024	1,080,000
2016	640,000	2025	1,155,000
2017	685,000	2026	1,235,000
2018	730,000	2027	1,315,000
2019	780,000	2028	1,405,000
2020	835,000	2029†	1,500,000
2021	890,000		

†Maturity

In lieu of redemption of 2029 Term Bonds pursuant to this subsection (b)(i), amounts on deposit as sinking fund payments may also be used and withdrawn by the Trustee, at the written direction of the Authority, at any time for the purchase of 2029 Term Bonds otherwise required to be redeemed on the following September 1 at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The

par amount of any of the 2029 Term Bonds so purchased by the Authority and surrendered to the Trustee for cancellation in any twelve-month period ending on March 1 in any year shall be credited towards and shall reduce the par amount of the 2029 Term Bonds otherwise required to be redeemed on the following September 1 pursuant to this subsection (b)(i).

(ii) The Term Bonds maturing on September 1, 2038 (the "2038 Term Bonds"), shall also be subject to mandatory sinking fund redemption in part by lot on September 1, 2030, and on each September 1 thereafter, to and including September 1, 2038, from sinking fund payments derived from scheduled Lease Payments made by the City at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; *provided, however*, that if some but not all of the 2038 Term Bonds have been redeemed pursuant to subsection (a) above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of 2038 Term Bonds so redeemed, to be allocated among the sinking fund payments as are thereafter payable on a *pro rata* basis in integral multiples of \$5,000 to the extent possible and in inverse order thereafter. The City shall provide the Trustee with a revised schedule.

Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed or Purchased	Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed or Purchased
2030	\$1,600,000	2035	\$2,245,000
2031	1,715,000	2036	2,400,000
2032	1,835,000	2037	2,570,000
2033	1,960,000	2038†	2,750,000
2034	2,100,000		

†Maturity

In lieu of redemption of 2038 Term Bonds pursuant to this subsection (b)(ii), amounts on deposit as sinking fund payments may also be used and withdrawn by the Trustee, at the written direction of the Authority, at any time for the purchase of 2038 Term Bonds otherwise required to be redeemed on the following September 1 at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of the 2038 Term Bonds so purchased by the Authority and surrendered to the Trustee for cancellation in any twelve-month period ending on March 1 in any year shall be credited towards and shall reduce the par amount of the 2038 Term Bonds otherwise required to be redeemed on the following September 1 pursuant to this subsection (b)(ii).

(c) *Special Mandatory Redemption From Insurance or Condemnation Proceeds.* The Bonds shall also be subject to redemption as a whole, or in part on any date, to the extent the Trustee has received hazard insurance proceeds or condemnation proceeds not used to repair or replace any portion of the Property damaged or destroyed and elected by the City, to be used for such purpose as provided in Section 5.07, at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

Section 4.02. Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a particular maturity, the Trustee shall select the Bonds to be redeemed from all Bonds of such maturity or such given portion

thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond. If less than all the Outstanding Bonds are called for redemption from proceeds of eminent domain or insurance at any one time, the Authority shall specify to the Trustee a principal amount in each maturity to be redeemed which, to the extent practicable, results in approximately equal annual debt service on the Bonds Outstanding following such redemption. If less than all Outstanding Bonds are called for redemption from proceeds of eminent domain or insurance at any one time, the Authority shall designate the maturity or maturities of the Bonds to be redeemed.

Section 4.03. Notice of Redemption. Notice of redemption shall be mailed by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, and to the Securities Depositories and to the Information Services by means acceptable to such institutions. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds to be redeemed and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

Notwithstanding the foregoing, in the case of any optional redemption of the Bonds under Section 4.01(a) above, the notice of redemption shall state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds on the anticipated redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, such event shall not constitute an Event of Default, the Trustee shall send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes of this Indenture.

The Authority shall have the right to rescind any optional or special mandatory redemption by written notice to the Trustee on or prior to the date fixed for redemption. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Section 4.04. Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered and of the same interest rate and maturity.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed.

Section 4.06. Purchase of Bonds. In lieu of redemption of Bonds as provided in this Article IV, amounts held by the Trustee for such redemption may also be used on any Interest Payment Date, upon receipt by the Trustee at least sixty (60) days prior to the next scheduled Interest Payment Date of the written request of an Authorized Representative of the Authority, for the purchase of Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the Authority may in its discretion direct, but not to exceed the redemption price which would be payable if such Bonds were redeemed. The aggregate principal amount of Bonds of the same maturity purchased in lieu of redemption pursuant to this Section 4.06 shall not exceed the aggregate principal amount of Bonds of such maturity which would otherwise be subject to such redemption. Any Bonds so purchased shall be surrendered to the Trustee for cancellation.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF
PRINCIPAL AND INTEREST

Section 5.01. Pledge and Assignment; Revenue Fund.

(a) Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to this Indenture are hereby pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge shall constitute a first lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act.

(b) The Authority hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the rights of the Authority in the Lease Agreement (except for certain rights to indemnification set forth therein), and in the Site and Facility Lease, (except for certain rights to indemnification set forth therein). The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority, all of the obligations of the City under the Lease Agreement.

The assignment of the Lease Agreement and the Site and Facility Lease to the Trustee is solely in its capacity as Trustee under this Indenture and the duties, powers and liabilities of the Trustee in acting thereunder shall be subject to the provisions of this Indenture, including, without limitation, the provisions of Article VIII hereof. The Trustee shall not be responsible for any representations, warranties, covenants or obligations of the Authority.

(c) The Trustee agrees to provide written notice to the City at least five Business Days prior to each Lease Payment Date of the amount, if any, on deposit in the Revenue Fund which shall serve as a credit against, and shall relieve the City of making, the Lease Payments due from the City on such Lease Payment Date. Subject to Section 5.08, all Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Lease Agreement to be deposited in the Redemption Fund or the Insurance and Condemnation Fund shall be promptly deposited in such Funds. Within the Revenue Fund there shall be established an Interest Account, a Principal Account and a Reserve Account. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture.

Section 5.02. Allocation of Revenues. Not later than the Business Day preceding each Interest Payment Date, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account

resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

(b) The Trustee shall deposit in the Principal Account an amount, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due at maturity or upon sinking fund redemption and payable on such Interest Payment Date.

(c) The Trustee shall deposit in the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement.

(d) If the then applicable Interest Payment Date is March 1, all remaining moneys shall be held by the Trustee in the Revenue Fund and applied for the next succeeding September 1 Interest Payment Date deposits. If the then applicable Interest Payment Date is September 1, all remaining moneys shall be transferred to the City for deposit to the General Fund of the City.

Section 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture).

Section 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates or for the payment of a required sinking fund installment.

Section 5.05. Application of Reserve Account. Amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Authority is not in default hereunder, any amount in the Reserve Account in excess of the Reserve Requirement (as determined by the Trustee based upon a valuation of investments held in such account) shall be withdrawn from the Reserve Account semiannually on or before the Business Day preceding each February 1 and August 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to this Section 5.05 or, (ii) if the Authority shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by this Section 5.05, then, at the Written Request of the Authority, to the Authority for deposit by the Authority into the Revenue Fund. The Trustee may conclusively presume that there has been no change in the Reserve Requirement unless notified in writing by the Authority.

Section 5.06. Application of Redemption Fund. The Trustee shall establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium on the Bonds to be redeemed pursuant to Sections 4.01(a) or (b); *provided, however*, that at any time prior to the selection of

Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, in accordance with Section 4.06.

Section 5.07. Insurance and Condemnation Fund.

(a) *Establishment of Fund.* Upon the receipt of any proceeds of insurance or eminent domain with respect to any portion of the Property, the Trustee shall establish and maintain an Insurance and Condemnation Fund, to be held and applied as hereinafter set forth in this Section 5.07.

(b) *Application of Insurance Proceeds.* Any Net Proceeds of insurance against accident to or destruction of the Property collected by the City in the event of any such accident or destruction shall be paid to the Trustee by the City pursuant to Section 6.1 of the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. If the City fails to determine and notify the Trustee in writing of its determination, within forty-five (45) days following the date of such deposit, to replace, repair, restore, modify or improve the Property, then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds pursuant to Section 4.01(c) to the extent that such Net Proceeds permit. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the City, upon receipt of Written Requisitions of the City, as agent for the Authority, which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any balance of the proceeds remaining after such work has been completed as certified by the City to the Trustee shall after payment of amounts due the Trustee be paid to the City.

(c) *Application of Eminent Domain Proceeds.* If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to Section 6.1 of the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(i) If the City has not given written notice to the Trustee, within forty-five (45) days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Property or such portion thereof, the Trustee shall transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the Bonds pursuant to Section 4.01(c).

(ii) If the City has given written notice to the Trustee, within forty-five (45) days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Property or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation, upon the filing of Written Requisitions of the City as agent for the Authority in the form and containing the provisions set forth in subsection (b) of this Section 5.07. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Section 5.08. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority pursuant to a Written Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which Written Request shall certify that the investments constitute Permitted Investments). In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. The Authority shall take the liquidity needs of the moneys held hereunder into account in making investments.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall, prior to the completion of the Project, be deposited in the Project Fund, except that interest or gain derived from the investment of the amount in the Reserve Account shall be retained therein to the extent required to maintain the Reserve Requirement and that interest or gain derived from the investment of the amount in the Revenue Fund shall be retained therein. Following completion of the Project, all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Revenue Fund, except that interest or gain derived from the investment of the amount in the Reserve Account shall be retained therein to the extent required to maintain the Reserve Requirement. To the extent that any investment agreement requires the payment of fees, such fees shall be paid from available moneys in the Revenue Fund after the deposit of moneys described in Section 5.02 (a) through (c) above. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee or its affiliates may act as sponsor, advisor or depository with respect to any Permitted Investment. To the extent that any Permitted Investment purchased by the Trustee are registrable securities such Permitted Investment shall be registered in the name of the Trustee on behalf of the Owners. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.08.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

Such investments shall be valued by the Trustee, but not less often than quarterly, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date. Investments purchased with funds on deposit in the Reserve Account shall have a term to maturity of not greater than five years unless by the terms of such investment, the Trustee can access such funds at par upon reasonable notice.

The Trustee may utilize securities pricing services that may be available to it making such valuations, including those within its accounting system with respect to the Bonds, and conclusively rely thereon.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

Section 6.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section 6.02 shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 6.03. Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes. Nothing in this section shall in any way limit the City's ability to encumber its assets in accordance with the Lease Agreement.

Section 6.04. Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

Section 6.05. Accounting Records. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Lease Agreement and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority and the City, during business hours and under reasonable circumstances.

Section 6.06. No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.